

## MINUTES

### FINANCE / PARKS & RECREATION / PUBLIC WORKS PROGRAMS COMMITTEE

November 8, 2012

A meeting of the Finance / Parks & Recreation / Public Works Programs Committee of the Council of the County of Kaua'i, State of Hawai'i, was called to order by Councilmember Mel Rapozo, Committee Vice Chair, at the Council Chambers, 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Thursday, November 8, 2012, at 9:16 a.m., after which the following members answered the call of the roll:

Honorable KipuKai Kuali'i, Member  
Honorable Nadine K. Nakamura  
Honorable Mel Rapozo  
Honorable JoAnn A. Yukimura  
Honorable Jay Furfaro, Ex-Officio Member  
Honorable Dickie Chang, Ex-Officio Member

EXCUSED: Honorable Tim Bynum, Chair

Minutes of the October 3, 2012 Finance/Parks Recreation/Public Works Programs Committee Meeting.

Upon motion duly made by Councilmember Kuali'i, seconded by Councilmember Yukimura, and unanimously carried, the Minutes of October 3, 2012 Finance/Parks Recreation/Public Works Programs Committee was approved.

Minutes of the October 17, 2012 Finance/Parks Recreation/Public Works Programs Committee Meeting.

Upon motion duly made by Councilmember Kuali'i, seconded by Councilmember Yukimura, and unanimously carried, the Minutes of October 17, 2012 Finance/Parks Recreation/Public Works Programs Committee was approved.

The Committee proceeded on its agenda item as follows:

Bill No. 2444

A BILL FOR AN ORDINANCE AMENDING SECTION 5A-6.3, KAUAI COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX (*Cost Control Commission Recommendation – Minimum Real Property Tax Assessment*) [This item was deferred.]

Mr. Kualii: I submitted several questions to the Real Property Tax Office a few weeks ago, and we are anticipating responses by now. I was told about ten (10), fifteen (15) minutes ago that they were walking over with those responses. I think it is important that we have that information upfront...so as soon as possible.

Committee Vice Chair Rapozo: Do you have a problem if we take public testimony first?

Mr. Kualii: No, not at all.

Vice Committee Chair Rapozo: The rules are suspended. Can we have the first registered speaker? I apologize, Ms. Kaleioki, I will call the meeting back to order. Can I get a motion to approve, please?

Ms. Yukimura moved to approve Bill No. 2444, seconded by Ms. Nakamura. .

Committee Vice Chair Rapozo: Thank you very much. Okay. We will go ahead and suspend the rules, and you can proceed. Just introduce yourself for the captioner.

There being no objections, the rules were suspended.

AMANDA KALEIOHI: My name is Amanda Kaleiohi, and I am a resident of Anahola. My position here is to say I am against the tax increase. I think it has been eighteen (18) years since this increase. For me, personally, what do you base this on? What are you basing it on? I know it is an increase of \$150, but we are at the present time paying \$25.00 a year. Even that \$25.00, especially those who live on fixed income, is very hard because of the economy. Even the younger generation, because of the economy and the layoffs and the cut in hours in their jobs, they are struggling, as well as the Kupunas, everybody is struggling. I, for myself, I would like to know what is the basis? Do you compare our homes to the private sector, because some of the homes are really old? For us who live there on the land, we do not own the land. Our house, we own. We can improve it whatever way we want, but what are you taxing? I assume you tax the house and the land and the value of the land? For us it is after seven (7) years. If you live there for seven (7) years, after seven (7) years it is taxed. We are mandated by the Hawaiian Homes Act of 1920. So that is why. At present some of us are paying tax, including myself and my husband. We are paying tax, the \$25.00. Where does the money go? I assume it comes to the County. That part is paid because we have a mortgage on the home we live in. It is paid through the escrow. Then I recently also found out that at the present time...I can give you an example. I pay like \$84.50. That is \$25.00 a year for the tax, property tax, plus it is tagged on for the trash. I was not

aware of that, but somehow I found out that information. So that is another thing. So if we are charged \$150, I assume that you also tag on for the trash.

Committee Vice Chair Rapozo: Ms. Kaleiohi, your three (3) minutes are up. Do you have a lot more?

Ms. Kaleiohi: No. I just...

Committee Vice Chair Rapozo: Okay, wrap it up. Thank you very much.

Ms. Kaleiohi: If you pay tax, I just do not want where you are controlled by the County. That is what I am afraid of. Take into consideration that we cannot sell the home as a package deal. If you foreclose on somebody because they did not pay their taxes or they are way behind, what is going to happen? So that is my concern.

Committee Vice Chair Rapozo: Thank you. I hope you are going to stay here, because as soon as the Administration gets here, we will have them up here, and we will ask that specific question that you just asked, "What do you base that on?" We will ask them and they can give you that answer, all right?

Ms. Kaleiohi: Thank you. Any questions for...

Ms. Yukimura: I just wanted if Mr. Kaleioki wanted to say something.

Committee Vice Chair Rapozo: You need to identify yourself for the captioner.

EDWARD KALEIOHI: My name is Edward Kaleiohi. I was born and raised in Anahola. I will be eighty-one (81) December 13<sup>th</sup>, next month. I served thirty (30) years in the United States Navy. I went to war, three different wars. I went to Vietnam in 1954, ten (10) years after the United States went into the war. We went in to get the French out in the China War. We were going to get the French out, but the Chinese ran us out. I was with the Frogmen, at the time the Frogmen. Now, they changed to the Seals, you see. We were there. I spent thirty (30) years in the Navy, and I came back. And just last year they start paying me. You know, I am disabled and all. I got all kind of things happened. Everything I just got it now. Everything is free, my medical, and then this comes up. Sometimes I wish I never came back to Kaua'i, you know. I own one home in Minnesota, two (2) in Honolulu and this one (1) here. Now I am thinking that I should have not ever come home because we Hawaiians, I hate to say, but I think we are getting screwed, you know, and I feel bad. I am sorry.

Committee Vice Chair Rapozo: Do not apologize, Mr. Kaleiohi. First of all, thank you for your service. That is very impressive and we appreciate your service in the military. I have not heard the term "Frogmen" in a long time. The Seals get all the glorified publicity in movies and the Frogmen are almost forgotten. Thank you very much. We appreciate your testimony.

Any other registered speakers? That was it? Anybody else wishing to testify? Is the Administration here? Last I heard they were walking across, and they are only one hundred (100) yards away.

Ms. Yukimura: There were some people that just came in. They may not know what Bill we are on.

Committee Vice Chair Rapozo: We are on the Real Property Tax Minimum Tax Bill. Does anyone wish to testify on that? If not, we will call the meeting back to order. Any discussion before the Administration gets here? We all got this passed out, and I do not know if you can understand what this says, but I cannot figure it out. I think the question was a simple one. How many taxpayers are paying minimum tax and what is the fiscal impact? There is no fiscal impact. Any discussion? Mr. Chair.

There being no objections, the meeting was called back to order, and proceeded as follows:

Mr. Furfaro: Thank you very much, Committee Chairman. I am not a member this Committee, but I do want to answer a few of the questions posed by the Kaleiohis, as I think it is deserving of some responses, and I have done some research here. If you folks recall on the Council, three (3) years ago, I introduced the Bill that, in fact, identified minimum taxes being applied to families who can go back to the Great Mahale in 1848 and be able to qualify for the minimum tax. So our minimum tax not only covers homestead, but now for many of those families who had family property recorded from the Great Mahale that have qualified through OHA also participate in the minimum tax.

The first question that was posed and, again, this Bill came to us from the Cost Control Commission. Obviously, I would have thought when they worked on that Bill, this would have been a very easy response by the Finance Department to give us some of the particulars, but I have researched some of the particulars. According to my math, there are 769 individuals on Kaua'i that qualify for the minimum tax of \$25.00. That is from my research. In comparing this to other Counties in 2003, Hawai'i Island had increased their minimum tax from \$25.00 to \$100.00. That is the Big Island, the County of Hawai'i. They had considered doing some tiering of this based on retirement status, but ultimately they went from \$25.00 to \$100.00 in 2003. The annual costs, I wanted to check on because I think

that is very important. When we send out tax bills, receive it, do the transaction, what could you pro-allocate the costs to be? It costs the County for you folks \$71.76 when you allocate all of the costs associated with sending out a \$25.00 bill. It costs us more money than what we collect. That is a number you should know, \$71.76.

Maui County had a minimum tax of \$150.00, Maui County, and they are now dealing with a Bill for their 2013 implementation of taking Maui's \$150.00 minimum tax to \$250.00. That is Maui County. The City and County of Honolulu established in the '80s their minimum real property tax of \$300.00. Now one of the challenges that we have is other Counties that have larger tax bases that can distribute this operating cost to a larger tax base. What does the minimum tax cover? The minimum tax covers Fire Service, Ambulance Service, Police Services, Civil Defense, and Parks and Recreation, and Roads Maintenance. Those are the items considered applicable to allocate the minimum tax to. I will say that again: Fire Service, Police Service, Civil Defense, Parks and Recreation, Roads and Maintenance. Mrs. Kaleiohi is correct regarding this recent move on trash service, as the cost of collection and landfill management has now surfaced in a different bill.

The minimum tax bill was first implemented in 1975. Mrs. Kaleiohi is correct again, it was bumped in the year 1981 to get us to the minimum tax to \$25.00. If you take the cost of living index for our seniors from that year right now from 1981 to 2012, if you use the cost of living index, that \$25.00 is now an amount that should equal \$103.00, according to my calculations. If everything remained the same and this cost amount was adjusted to the cost of living, it should be \$103.00. Last I checked, the minimum tax recommendation that is coming from the Cost Control Commission, they had a proviso that said regardless of what happened at the Council level for the approval, they had pledged to revisit the minimum tax rates every three (3) years. Now I think the Kaleiohis deserve some answers to their questions. I have done my research. This is what I have found, and I just wanted to share it with you, Committee Chairman, as to what I found as I do not vote in your Committee right now. Hopefully, that will answer some of the questions posed to the Council today. Thank you very much.

Committee Vice Chair Rapozo: Thank you very much. I think Wally is in a meeting and they are trying to find the Deputy Finance Director. Again, that is troubling on a Wednesday, on a Council day.

Mr. Kualii: I actually want to read one (1) testimony, because I heard from several people. I live in the Hawaiian Homestead in Anahola, and I heard from several of my neighbors, and I was hoping that they would send something in writing or come to testify today. I saw the testimony that was submitted. One of them, to me, seems to represent a lot of what I have been hearing from the Hawaiian Community, at least.

This testimony says, "I am writing to express my opposition to any increase in the minimum tax. The overwhelming majority of folks who pay the minimum tax would be hurt severely by any increase. Remember that our senior and lower income exemptions are in place to help those who need the help. Every dollar is significant to our seniors and others living on extremely low and fixed incomes and also having to deal with the high cost of the living, especially healthcare. The County Council in the last budget cycle lowered tax rates on everyone in the Homestead Class at a cost of \$2.5 million dollars. This meant lower taxes for all owner-occupied households, including folks doing very well, some even living in mansions on large estates, most, if not all, of whom never asked for such a tax break. Those paying the minimum did not benefit from that tax break or that tax rate deduction and now you are considering raising their taxes by as much as 500%," that is \$25.00 to \$150.00, "all to raise how much additional revenues after having given away \$2.5 million in across-the-board tax breaks. Additionally, as a Homesteader on Hawaiian Home Lands, in light of the Nelson Lawsuit that clarifies the State has an obligation to sufficiently fund the Department of Hawaiian Home Lands, should be exempt from all real property taxes in perpetuity. The County, as a subsidiary of the State, holds the same obligations to the Native Hawaiian people that the States took on with Statehood. Indeed it is because of the original lands of the Native Hawaiian people that the State and County has even been able to succeed. The State and County is forever indebted to the Native Hawaiian people. Exempting Homesteaders on Hawaiian Home Lands from all real property taxes in perpetuity can and should be a start towards honoring its obligations to the Native Hawaiian people. Furthermore, it is unethical and illegal to tax Native Hawaiians on land that they are lessees on. So that is one of the testimonies.

The question about how much in additional revenues after having giving away \$2.5 million across-the-board tax breaks, this paperwork that we got from the Real Property Tax people is a little confusing, so I do want to ask them because they used the number of 1,842 minimum taxpayers, but then they also used 366, and that the 366 might be just the DHHL Homesteaders. If you use the Chair's figure of 769, 769 times \$25.00 in the current minimum tax is \$19,225. 769 times the proposed increase to \$150.00 rate is only \$115,000. So we are talking about raising taxes on some of our most low-income, struggling citizens all to raise the County an additional \$96,000. In our nearly \$160 million budget, we are wanting to raise taxes on people who pay the minimum tax to earn additional revenues of \$96,000. I think that is kind of sad, if you ask me. I think that part of the problem may be that it is all lumped together. So the cap can minimize their tax increases. So everybody is all lumped together in this minimum tax of \$25.00. So the argument about paying for services, that may apply and the cost of living, but there are different groups of people that this is all lumped and assigned to, including the

seniors and on low-income exemptions and all of that. I see that the Real Property Tax people are here now. Thank you.

Committee Vice Chair Rapozo: Thank you, Mr. Kualii. I agree. I am using the 1,842 number because 1,842 are paying minimum tax. So we are looking at a net increase in revenue of about \$230,000. If we can get the Real Property Tax people up here, we will suspend the rules.

There being no objections, the rules were suspended.

Mr. Furfaro: Mr. Chair, before you go there, I just want to make sure we are all clear. That number, 769, was one that I researched. It is my best attempt to forecast the impact.

STEVE HUNT, Real Property Tax Officer: Sure, Steve Hunt Real Property Tax Officer for the Finance Department.

SALLY MOTTA, Deputy Director of Finance: Sally Motta, Deputy Director of Finance for the County of Kauai.

Committee Vice Chair Rapozo: We just got the written correspondence. Understanding that this proposal came over from the Cost Control Commission and not the Finance Department, are you able to answer that basic question: what do you base the justification for the increase? Is that something that you are able to answer?

Mr. Hunt: It is not something that I venture to answer independently. I was asked by the Cost Control Commission to research how long it has been at that level and what other Counties are doing with their minimum tax. And then the only other bit of information is we did look at the CPI index over the period of time that it had been at \$25.00, to look at that as an adjustment just as a measure of inflation and that was presented. I do not have that with me, but that was presented as part of the response to the Cost Control Commission.

Committee Vice Chair Rapozo: And you have the written response that was just submitted today, this morning? The request was for the number of taxpayers paying the minimum tax and your response says, "Of these exemptions, 1842 taxpayers pay minimum pay and of those, 299 are Homestead." These are included in the 366 total homeowners of all types of property that are paying minimum tax. Are there other classes that pay minimum tax as well?

Mr. Hunt: Yes, nonprofits. There are Hawaiian Home Lands, Kuleanas. I am going off the top of my head here. I do not have my list, but there are multiple types: churches, schools.

Committee Vice Chair Rapozo: So the 1,842 includes all of it?

Mr. Hunt: Correct.

Committee Vice Chair Rapozo: And of the 1,842, 366 are homeowners of all types.

Mr. Hunt: Correct.

Committee Vice Chair Rapozo: So that leaves about 1,500 left that would be churches and schools, nonprofits.

Mr. Hunt: All other types, yes, that is correct.

Committee Vice Chair Rapozo: Hawaiian Homes, are they included in the homeowners or "others"?

Mr. Hunt: Hawaiian Homes would be included in "others." There are some that have filed for home-use exemption, so they may be counted under a homeowner. Those who have not are excluded because whether they file or not, they have exemption under the Hawaiian Home Lands. There are some that not included in the minimum tax because for the first seven (7) years they do not pay any tax, and then after that, they get added to the minimum tax.

Committee Vice Chair Rapozo: Right. One last question, is the Administration in support of the Bill? That would be for you, Sally.

Ms. Motta: We are actually not taking a stance on it either way. We feel that our costs of running the County are not covered by \$25.00 per property owner. So an increase is something we feel should be looked at. As to the exact amount, we are not sure what that amount should be, and that is something that we would want the County Council to determine.

Committee Vice Chair Rapozo: The County Council or your Department? We do not have access to the numbers. I mean, I would think that would come from you folks.

Ms. Motta: Okay.

Mr. Hunt: The only information that we have is the counts, the people who pay. We have exemptions that are for churches that only cover a portion of the property. They do not cover all of the property. So they still pay tax on the taxable portion. There are exemptions that are applied, essentially if



they been fully exempt because they use all of the facility or the building, so the whole property would be. So there are some exemptions out there that still generate portions of minimum tax for that specific area. Until it is CPR and becomes its own tax key, it is only reflected in the entire property. It is really hard to measure the impact of what the exemptions are doing in terms of minimum tax.

Committee Vice Chair Rapozo: That is fine. That is fair. So there is no position from the Administration as far as the Bill at this time?

Ms. Motta: We did get asked by the Cost Control Commission what was the average we felt would be the responsibility per parcel. And we did provide them with an amount. This has been quite a few months ago, so I do not remember what that amount is. I do not know whether Steve, off the top of his head, remembers what that amount was either. It was an average that we took by computing how much all of the expenses were. Steve came up with the amount, so he can better describe to you what went into that figure. We can provide that figure to you, but we just do not have it in front of us of because we were not expecting to come over today.

Committee Vice Chair Rapozo: Really?

Ms. Motta: No.

Committee Vice Chair Rapozo: It is a Finance Bill.

Mr. Furfaro: Can I say something here? Let me tell the Administration, you need to start paying attention to the Council's agendas. I have said this before. Our meetings are every Wednesday, with the exception of Election Day, we have the meeting on Thursday. Your presence is important for us to conduct our business. You need to look at the items on the agenda, and you do not have the privilege of responding *répondez s'il vous plait*, RSVP. You need to be prepared for what is on our agenda. Sally, that is not directed at you. I have been going through this recently more than we should. If you are not going to be available to us, you are required to give us ten (10) days' notice. There are at least three (3) memorandums from my anticipation as the Chairman. Now, I would think that the other question that should come up here is what documentation did you provide for the Cost Control Commission, not just our questions. Please, I want to make sure that Finance understands what I said. It is Wednesdays. This is not RSVP, okay? We need you to participate. The Charter is very clear: the Council is the financial body that makes decisions about budget, about revenues, and about cost expectations. That is the Charter's statement. So if we have a tax bill, I would appreciate it if I get information to you, information from the County Attorney, from Planning, from Water. This is the day we meet. Your presence is expected.

I am not a member of this Committee, but may I ask one other thing in discussion with Finance? Is it now costing us more? According to my calculations, it costs us more than what we collect by sending out the bill.

Ms. Motta: Absolutely.

Mr. Furfaro: Right?

Ms. Motta: Yes.

Mr. Furfaro: If this is correct, \$71.76 to actually process the bill, the County would save \$41.00 by not sending the bill at all. I am sorry. I look at it from a business standpoint. Then the other statement, because you were not here, Steve, if we took from the original implementation of the minimum tax, and we only look at Hawaiian Homes as such and Kuleanas, because of our responsibility through the Statehood Act for the Hawaiian Community, if we applied the CPI, which is the consumer price index, the bill should be about \$103.00 not \$150.00?

Mr. Hunt: I believe the information that I sent to Cost Control Committee was around \$100.00 for the inflation for the period of that time.

Mr. Furfaro: Purely on inflation I am not too far off on that?

Mr. Hunt: Correct.

Mr. Furfaro: And it is actually costing us money now to send the bill out. We do not even cover our costs.

Mr. Hunt: It is tough to break out the exact cost of the assessment notice and the billing. You have to look at the two (2) departments, the Divisions' budgets and divide by the number of parcels that get notices to determine how much it is costing. A lot of it is not just that portion of the function of the job. There are appeals and there are other things go along with that. So it is hard to divide the work, effort, and time specifically to creating the assessment, doing the valuations, sending the notices, sending the bills, processing the collections. So it is sort of a nebulous number, but if you just looked at the two (2) Divisions' Departments, strictly dividing by the number of parcels and coming up with a cost per assessment notice, then you are right. It would be much higher than what we are charging as a minimum tax.

Mr. Furfaro: Committee Chairman, thank you for letting me get the réponsez s'il vous plait clear. We need to pay attention. We send our

agenda out six (6) days in advance, and it is not just directed at Finance. The total operating Departments of the County need to be aware of what is on our agenda. Thank you.

Committee Vice Chair Rapozo: Mr. Kualii.

Mr. Kualii: I just wanted to say that I sent out these two (2) questions on October 16<sup>th</sup>, and we were asking for a rush and wanting a response by October 31<sup>st</sup>. So that was fifteen (15) days. That is what this paperwork is that was walked over about an hour ago. What is obvious is that with these answers, we would want someone here to explain if we had questions about what was submitted to us in writing. It is November 9<sup>th</sup> today, so this is three (3) weeks later. The letter was sent from Wally to myself via the Chair with a cc to both of you. Here are the two (2) basic questions. Vice Chair Rapozo said what is the number of taxpayers paying the minimum real property tax and provide a breakdown of those by who pays minimum tax because of income exemption, age exemption, the DHHL Homestead classification, and the other was the dollars that result from each of those breakdowns. So what you did send us has a breakdown, but it is not what we were asking for. The numbers that you say in your summary under "narrative upfront," I just wanted clarification on that. So the 1842 is everyone who pays the minimum tax for whatever reason. They have this exemption, that exemption. Could it even be the cap that is influencing who pays the minimum tax?

Mr. Hunt: The cap does not any longer because the cap allows for percent increase. So someone who started with a minimum tax would automatically then go up to 2% initially or 6% first year, 2% every year and now CPI going forward. So it is slowly increasing, \$25.00 to \$26.00 to \$27.00. It is almost minimum tax, if you will. One of the questions that was not asked is how many people pay below the \$150.00 threshold that could be impacted by minimum tax change, because we are only saying people who pay \$25.00. There are people who pay zero because they are fully exempt: Utilities and they pay in lieu of, Hawaiian Home Lands, and some who do not pay any tax. There are a portion that pay minimum tax, and then there are a portion that pay \$25.01 up to 149.99 that could fall into this group if the minimum tax were changed. I do not know. I mean, that is a job we would have to run, and we do not have that information at-hand.

To answer your question regarding exemptions, we cannot isolate because they are layered. Someone who has a home exemption, an age exemption, and an income exemption, well, maybe they do not need the income exemption if the values have dropped to the point of where the age exemption is covering the entire value of the property. Then they have the additional income exemption but it does not contribute or it only contributes a very small percent. If they are without the

income exemption and they were at \$90.00, and with it they go to \$25 minimum. It is only kicking in a little bit of the dollars.

Mr. Kuali'i: But even to get an initial rough estimate, if you will, you could just list by groupings, who gets exemption for this category or that category, for all that are for that singular reason. Then you could group in those that have multiple, whether they have age and income exemptions. And it is just numbers, like how many.

Mr. Hunt: Right.

Mr. Kuali'i: And then we multiply that by 25.00, that is what they currently paying, multiply that by \$150.00.

Mr. Hunt: Currently, the age exemption is actually determined by the birth date that is entered in. So it actually looks to see if you have a home exemption and if the birth date kicks in, you have additional exemption. It is not a different code. We cannot necessarily determine how much is the age because we cannot just isolate the age exemption. They are just starting with a basic exemption, and if their birth date falls within this range, they get a different amount, but it is not coded separately so we cannot isolate that to say, "This is the age exemption or this is the reason."

Mr. Kuali'i: With computers you would think on the birthday you could use that as a field too. And the home exemption in itself does not get anyone to a minimum tax, correct?

Mr. Hunt: I would think not. I mean at this point, with the \$48,000 exemption, unless you have a property worth \$48,000 improved, which there probably are not, no, that would not get you to minimum tax.

Mr. Kuali'i: Then the last point is that this increase would not generate the County much revenue. I think the Chair's point about the cost of processing. So you are saying we are currently in a situation where we are losing money because \$25.00 does not cover the \$76.00. But additional revenue generated by all folks who are paying the minimum would be rather minimal compared to our \$160 million annual budget.

Mr. Hunt: You can look at it in the people that are paying more as somewhat subsidizing the operations for processing those that are getting the minimum.

Mr. Kuali'i: You know how you stated that the Administration does not really take a position for or against. Is it true, too, that

during the last budget cycle, when we had that tax rate decrease, that the Administration also sort of did not take a position when the tax rate was lowered on the Homestead Class and raised on the resort and renters/landlords class. The Administration did not take a position on that as well, correct?

Mr. Hunt: I cannot answer that.

Ms. Yukimura: He signed the Bill.

Mr. Kuali'i: In the course of the budget discussions, much like what you said today, I think it was the same thing. In the end he signed the bill, sure.

So the last question on that, so then you can confirm that that tax rate decrease that was given across the board to all in the Homestead Class was at a cost of \$2.5 million to the County in lost revenue, if that is how you want to understand it, approximately?

Mr. Hunt: You are asking me off-the-cuff. I do not have that information in front of me.

Mr. Kuali'i: Thank you.

Mr. Furfaro: Excuse me just for a moment. I think I would like to get some clarification. The decrease was closer to \$1.3. I do not think it was 2.5. I am sorry, Councilmember Kuali'i.

Mr. Kuali'i: That is fine. \$1.3 million is still \$1.3 million.

Mr. Furfaro: Your point is well-taken, but in all business, we should never exaggerate. I do not know where that number came from, but I remember that being about \$1.3.

Mr. Kuali'i: That is why I was asking, so I was hoping to get some confirmation. I appreciate your clarification of 1.3. So that would be the question, was it \$1.3?

Mr. Hunt: That sounds closer to where it was. Again, it is just from memory from a while back.

Committee Vice Chair Rapozo: Thank you. Any other questions?  
Councilmember Yukimura.

Ms. Yukimura: So if I might formally request that you share with us all of the documentation that you provided to the Cost Control Commission. That would be useful information so that I can understand the figures that you have submitted here. The 1,842 is the number of entities paying the minimum tax, and it includes nonprofits as well as individuals, and 366 are homeowners not including Hawaiian Homes.

Mr. Hunt: There is a mix. Some Hawaiian Homeowners, the leasehold owners, have come in and filed exemptions for home-use. It is kind of an often unnecessary filing because they are already covered under the Hawaiian Home Land Exemptions, but they have two (2) exemptions: one for Hawaiian Home Lands and one for their homeowner use. The Hawaiian Home Use is a higher exemption because it makes the entire property exempt in paying minimum only, whereas the application for the Homeowners Exemption only exempts 48, or if their age is 96 or 120.

Ms. Yukimura: That exemption is pretty meaningless because the Hawaiian Home Lands Exemption applies, correct?

Mr. Hunt: Correct. That is right.

Ms. Yukimura: So they all pay \$25.00. So this number 366, that includes those Hawaiian Homes lessees who are paying the \$25.00?

Mr. Hunt: The 366 does not. Say you had 500 Hawaiian Home Land owners and 20 came in and applied for Homeowners Exemptions, the 20 would be included in that figure. But the 480 that are exempt under Hawaiian Home Lands are not. They are two (2) exemptions, so they are classified as homeowners because they have that exemption, but it is somewhat of a meaningless exemption because the whole property is exempt under Hawaiian Home Lands. We are not going to deny them the opportunity to apply for the exemption because they live there.

Ms. Yukimura: That is fine. How many Hawaiian Home lessees are paying the minimum tax?

Mr. Hunt: All, with the exception of those who are in their first seven (7) years of the lease.

Ms. Yukimura: And you do not have a number for those Hawaiian Homes lessees that are paying the minimum tax?

Mr. Hunt: Not off the top of my head. It could be researched.

Mr. Kuali'i

That was the question.

Ms. Yukimura: That was part of this question that Councilmember Kuali'i sent, which is why I think he said his question was not answered. Is there a problem for you getting that information? You are do have that information, right?

Mr. Hunt: Of those that are reported to us, there is sometimes a breakdown between DHHL and our office in letting us know when those leases began. Sometimes we get them two (2) years later.

Ms. Yukimura: All right. You still know how many we are sending bills to for \$25.00?

Mr. Hunt: Correct. We can do that.

Ms. Yukimura: Can you please provide that information?

Mr. Hunt: Okay.

Ms. Yukimura: I think they would like to know that. Then in terms of the fiscal impacts of the present situation to the County's budget, are you able to provide that and the fiscal implications to the County's budget if the minimum tax were raised to \$150.00? Can you provide those too?

Mr. Hunt: It would simply be the number of people getting the 1842 times the change in the minimum tax rate.

Ms. Yukimura: On the \$25.00 minimum tax, there is a deficit of \$46.76 per minimum tax paid; right?

Mr. Hunt: So you are saying that the minimum tax...

Ms. Yukimura: So the fiscal implications are a loss to the County of whatever it is, 46.76 times 1,846. Then if it were \$150.00, the impacts would be \$150.00 times 1,846 minus \$150.00 times \$46.76. I am just going to ask for the fiscal impacts, if you could also send that to us. What is the deadline for acting on the Bill so that it will impact this fiscal year?

Mr. Hunt: This fiscal year beginning. Are you talking about July 1<sup>st</sup>, 2013?

Ms. Yukimura: This fiscal year has already passed in terms of impacts.

Mr. Hunt: Right. We are talking Fiscal '14 Budget starting July 31, 2013.

Ms. Yukimura: Yes, thank you for that correction.

Mr. Hunt: Since it is not an assessment nor an exemption nor a certification issue, it only makes an impact to the budget discussions and how much that will change the revenue for the County during the submittal of the budget.

Ms. Yukimura: Okay.

Mr. Hunt: So I think that is March 15<sup>th</sup>, I believe.

Ms. Yukimura: Okay.

Mr. Hunt: From an actual implementation, I think you could probably go as late as May or June because the billing does not go out until July 20<sup>th</sup>.

Ms. Yukimura: So in the case of some Hawaiian Homeowners who are not income-restricted; that is, they may own land elsewhere and they have adequate income to pay \$25.00 or \$150.00, we would be missing that, too, by not raising the minimum tax, right? And such is true of Non-Hawaiian Home lessees who could pay more than \$25.00 without much trouble, but we are not getting that income to pay for what each household incurs in terms of Police, Fire, Parks, Roads, I would guess even Elderly Affairs, those services.

So the question is do we have a principle where everybody has to pay something to help run this County, and then make some exceptions for those who are not able to pay? I think that is kind of the policy we may want to craft because there is no such thing as a free lunch. If enough people do not pay, this County will not run at some point. In our last tax action, we increased the tax rate on resorts because arguably the commerce from resorts is impacting the services more than a single-family house. So I think we are trying to keep some equity, but I think there is also the principle that everybody who can pay needs to pay some share. So that is the policy we are trying to craft, and I think we need some of that information from you.

Mr. Hunt: I know that, too, in prior discussions, talking about the minimum tax, I did disclose that you can do it. It does not have to be



minimum for all types. So you could have specific exemptions that are tied to possibly a lower minimum tax. So you could have a standard minimum tax of \$150.00, but someone who is illegible and qualified for the income exemption maybe pays half of that. So it does not have to be one minimum tax. You could have different qualifiers by exemption type. It is a little more complicated to implement, but it could be done.

Committee Vice Chair Rapozo: Thank you. Any more questions?

Mr. Furfaro: Steve, I want to make sure that I understand. Do you agree with my commentary that we could cover our operating costs at what I have calculated around \$71.76, if there was the first increase. Rather than being \$150.00, we could cover the index of costs by introducing this first as a \$100.00 as the minimum.

Mr. Hunt: I would agree with that statement. The only thing that I would possibly take exception to is that I believe the \$71.00 figure is the operational budgets of collections and real property assessment divided by the parcels. It does not include some sort of allocation for Fire, Police, for Attorneys that provide us counsel, for the administrative overhead, all the other things. It is strictly creating, assessing, printing notices, and collecting, that process.

Mr. Furfaro: On your stroll over, I covered those things, so you did not get to hear it. I will repeat it. I have Fire Service, Police Service, Civil Defense, Parks and Recreation, Road Maintenance, and now we are adding Elderly Affairs. It does not cover that.

Mr. Hunt: Correct.

Mr. Furfaro: What I took was roughly 34,172 taxable parcels in the County, divided into the operational costs for the processing of the bill to come to \$71.00.

Mr. Hunt: Sounds reasonable.

Mr. Furfaro: Sounds reasonable, okay. So we could be going down to \$100.00. Then there was a statement in the Cost Control Commission's comments that they would review this every three (3) years, and I assume tied to the Consumer Price Index, which we now follow even though it is the Honolulu Consumer Price Index.

Mr. Hunt: Correct.

Mr. Furfaro: That could be reasonable. Then in the other portion, which we look at exemptions that you talked about, Maui does exactly that. They have a minimum tax, but it goes up to \$300.00. Within that they have rules about other exemptions, whether it is tied to age, whether it is tied to incomes. Did I hear you say that that is possible too?

Mr. Hunt: Yes.

Mr. Furfaro: I want to reaffirm what I earlier heard. The Administration did not take a position on what the Cost Control Commission submitted?

Ms. Motta: That is correct.

Mr. Furfaro: They did not?

Ms. Motta: Yes.

Mr. Furfaro: They did not.

Ms. Motta: It is not our Bill.

Mr. Furfaro: Understood, but the Cost Control Commission is appointed by the Administration and then confirmed by the Council. I want to make sure we understand that the Administration of that Commission comes under the Mayor's Office of Boards and Commissions, not us. You did not take a position with them as well is what I am hearing.

Ms. Motta: Right.

Ms. Nakamura: Thank you for your explanation earlier. I think I would also like to get further information on the various categories of groups that receive the \$25.00 minimum tax benefit. I am particularly interested in the Hawaiian DHHL lessees versus non-DHHL lessees, so that we could take a look at what that financial impact is. I took a look at the testimony that Councilmember Kualii read out loud. I am going to take that testimony to heart. I think we really need to look at the data more closely so that we can see what the impacts are of our policy decisions. I am also interested in finding out more about the total operating costs per property that Sally referred to earlier. The information that was provided to the Cost Control Commission, I think would be good data to also have in hand as we deliberate. I also have a question about the section of the Code 5a-11.23 regarding the first seven (7) years of exemption from real property tax. I guess I am looking for some of the history behind that. Why the seven (7) years? Why not in perpetuity? Are you familiar with any of that discussion?

Mr. Hunt: Not at all. I know Jimmy Tehada was very involved in that. He added the word "notwithstanding," which the way the other Counties treat Hawaiian Home Lands. They are exempt from the tax for seven (7) years, after which they are exempt only on the land, but they pay improvements. We added that word that essentially continues them at minimum tax after the seven (7) years on both land and improvements, which now, since we have a single value, singular rate, it is the property value. We are the only County that is implementing that because of the language that was added. I believe it was Councilmember Tehada when that initially came out.

Ms. Nakamura: Interesting. I wanted to just take a closer look at that, so I will be asking for a deferral of this as we move forward.

Committee Vice Chair Rapozo: Thank you. Any more questions? I have a question. Does it cost the same to process a minimum tax property versus a commercial property? Is it the same cost? I am trying to figure out how we get to \$70.00 to send out a bill.

Mr. Hunt: You are looking at the staff. You have to appraise the properties. We are talking staff salaries and the contract for the print vendor and all of the kind of things that go into what we do. We are just taking our total budget for our office and dividing by the number of parcels that receive assessments to come up with a price per assessment. There is no breakdown to say we spend much more time on commercial or much more times on these homes that take longer to sketch because they are fancier.

Committee Vice Chair Rapozo: That is my point. Does it take longer to do a resort versus a residence? Is that a fair amount, \$71.00, to do all properties? Is that an accurate amount?

Mr. Hunt: I guess it would depend on whether you are looking at revaluation or a new valuation.

Committee Vice Chair Rapozo: I do not know.

Mr. Hunt: A new valuation, we would be spending a lot more time. If a brand-new resort pops up, it would take a lot longer to sketch the buildings, to create a cost table to go with that and class it and determine how we add that into our tax roll. From a brand-new standpoint versus someone who is building a small modest home that is square and it is very easy to add to the tax roll. So the time spent on a resort property versus a saltbox home that is going up would be much different.

Committee Vice Chair Rapozo: So arguably the cost to process different tax bills are different. They are not all \$71.00?

Mr. Hunt: Correct. Much like we have to spend a whole lot of time on delinquent taxpayers, you are spending a lot of time. If someone is paying on time, their proportional bill would be less too because we are spending less time on that person, whereas you get a problem taxpayer that does not pay, it is follow-up calls, doing liens, doing work with the attorneys. You kind of have to look...

Committee Vice Chair Rapozo: I understand, but this is my concern. I think right now to go take your driver's license, I do not know what we charge. I think it is ridiculously low, \$5.00, \$10.00, but is that the trend? Now we are going to look at the total cost of that department and amount of driver's licenses and divide it and then bump it up to that? Is that the trend? Is that really the measurement that we should be using or is that our function?

Mr. Hunt: Again, this is our function. We provide assessment notices and do the billing and collections.

Committee Vice Chair Rapozo: I understand. I guess my concern is are we going to pass through the total cost to process through the taxpayers, because I think we are going to run into some problems if we follow that mentality in all the services that we provide.

Mr. Hunt: It was the only thing measurable to come up with the cost. Again, it is not the cost of the Police, Civil Service and all the other things that you pay for in that property tax. All we can measure is what we do in our Departments to process it, to come up with the assessed values, to come up with the notices, to come up with the billing and collections, et cetera.

Mr. Furfaro: I think we need to point out in that piece, the Tax Office, you are a cost center, right?

Mr. Hunt: A revenue center.

Mr. Furfaro: No, for your staff, you are a cost center.

Mr. Hunt: Correct.

Mr. Furfaro: All the other areas that we talked about, you have to generate enough revenue to be paid, and in that sense you are a profit center to cover the operating costs. It was a very simple formula. It was taken by me to say we had all of these tax categories and all of these tax bills to process, just

the processing. This is what it cost us because a resort is getting the same card as a homeowner.

Mr. Hunt: Correct.

Mr. Furfaro: They are getting the same card. Without any other approach to the cost center, that is the only way I could do it. Mr. Rapozo.

Committee Vice Chair Rapozo: I am not arguing with the method. The method of the calculation, I completely understand. Is that the trend, though? Is that how we are going pass on cost to our taxpayers? I think that is my concern, whether it is \$70.00 or \$100.00. That is what Counties do. We provide certain services, and we are not a profit-generating entity like your local supermarket or your hotel. So I think that my concern is the methodology and the philosophy going forward. Any other questions?

Mr. Kuali'i: Just a very quick one. In the cover narrative again, you mentioned of the 1,842 that 299 are PITT8 Homestead Class. Then you say 366 are total homeowners. What is the difference between the 299 and 366?

Mr. Hunt: The 299...

Mr. Kuali'i: What is PITT8 again?

Mr. Hunt: The 366 includes the 299. The difference between the 299 and 366 is 167, that number are properties that have multiple uses that are not eligible for homestead. So they have maybe a second home on the property or vacation rental on the property or something other than a single-family home that is used exclusively as Homestead.

Mr. Kuali'i: How do they get to the minimum? So they are not exclusively Homestead, but they still are Homestead?

Mr. Hunt: They could still have age, income, disability...the Veterans Disability that creates minimum tax bill.

Mr. Kuali'i: Okay. Thank you.

Committee Vice Chair Rapozo: Councilmember Nakamura.

Ms. Nakamura: Steve, I wanted to follow-up on one of the things that you talked about, which is to have a possibility of having a minimum tax for different categories. If the Committee chooses to do a deferral, I would be

interested in exploring your thoughts on that further and how that might be structured. So I will be sending a question over. Thank you.

Committee Vice Chair Rapozo: Any other questions?

Mr. Kualii: To go back to the very original questions that I submitted and along the lines of what Councilmember Nakamura just asked. The detail on how many are Hawaiian Homesteads, and what amount of revenues is being collected now with the \$25.00 tax? What would it be with \$150.00? I believe that it is very minimal. It leads me back to the principle about the Statehood and the obligation to the Native Hawaiian people and how that should, in fact, be zero in perpetuity. So what is the fiscal analysis of that as well?

Mr. Hunt: Going to zero?

Mr. Kualii: Yes. The only other question is like Councilmember Rapozo was talking about, that cost of \$76.11. I am curious as to what is that cost to Hawaiian Homestead Lands. Do you actually go out and appraise all of the Hawaiian Home Land Homes?

Mr. Hunt: They do get appraised, but it is not as frequent because they are paying the minimum tax. It became an issue for us with solid waste because of the solid waste fee now. Often we did not have record of homes that were out there that had been built. So it came up more when we found out about the collection services, that we had homes that were missing from the assessment roll, not that they were adding. They were still minimum tax.

Mr. Kualii: It would be interesting to know what those associated costs are. In the instance of zero in perpetuity, then those costs would go away as well because you would not be appraising those homes?

Mr. Hunt: Just one more response to the question. You asked about what is collected. Often, many of these are actually in arrears. I do not know the amount. It is much more substantial on Maui and the Big Island and O'ahu because they do not charge minimum tax. They actually assess on the value of the structure. The land is exempt, but they pay based on what they build.

Mr. Kualii: Now you brought up another question. When you say, "Many are in arrears," you mean the Homesteaders themselves have not paid the \$25.00 fee? I have heard that in the instances when the actual Homesteader does not pay the \$25.00 that the Department of Hawaiian Home Lands does.

Mr. Hunt: They were supposed to and there was an amnesty to catch up, probably four (4), five (5), maybe six (6) years ago. There was big large lump-sum payment to catch everyone up but many have gone back to not paying.

Mr. Kualii: When you say "they are supposed to," why are they supposed to? Is there some kind of agreement between the County and the State?

Mr. Hunt: Well, there are two (2) agreements. One is the DHHL agreement, which I do not have a copy of, but it says in their agreement that they are responsible for the property taxes, whatever they may be. In our case it is minimum tax. Then there is also an agreement that the DHHL as landlord will pay those taxes to us. Often it is not timely, and it goes many years before it gets done.

Mr. Kualii: That is sad to hear because then that whole agreement about Statehood and the Native Hawaiian Lands and that the State has an obligation to the people, and as a result the County also does as a subsidiary of the State. It means that the opposite is happening, you are taking money from the trust beneficiary fund from the group of Native Hawaiians when one Native Hawaiian does not pay it, and I think that is wrong. So we will see. Thank you.

Committee Vice Chair Rapozo: I have one (1) final question. Do we make any attempts to get those payments from the Department of Hawaiian Home Lands?

Mr. Hunt: Yes.

Committee Vice Chair Rapozo: What do we do? Do we sue them? If the letters are not working, then maybe we should sue them.

Mr. Hunt: We are looking at that because of the amounts. Again, the City and County is owed, I believe, \$600,000.00 in back tax.

Committee Vice Chair Rapozo: What about Kaua'i?

Mr. Hunt: We are looking at a four (4) County effort to work with DHHL to force the hand to make payment.

Committee Vice Chair Rapozo: If that is an agreement, we just have to enforce the agreement. Do you have an idea of what it is?

Mr. Hunt: Maui had initially talked about even foreclosing, but do they have the right to foreclose, because they could sell it to the next Hawaiian available on the list. They are just breaking the lease, saying that we have the right because you have a home on here that has value, and you probably have a mortgage on the leasehold interest for the home. If you are not paying, we are going to take that and make it available to the next Hawaiian family that can pay their taxes. They have not gone there yet, but that is sort of the posturing Maui is taking.

Committee Vice Chair Rapozo: Well, I think we go after DHHL and let DHHL deal with the tenant how they want to. That is not our concern. I do not think that the County should be foreclosing on Hawaiian Home Lands. That is not even an option.

Mr. Hunt: I agree.

Committee Vice Chair Rapozo: That is DHHL's issue. If they have a tenant that is not paying and DHHL has to pay the County tax bill, then let DHHL take care of that tenant or that lessee. So that is interesting. Questions?

Ms. Yukimura: Could you make that agreement available to us as well?

Mr. Hunt: I do not work for Collections. That would be Michelle Lizama that you would want to talk to.

Committee Vice Chair Rapozo: We are sending it over in writing.

Mr. Hunt: I do not have the agreement.

Mr. Furfaro: Sally is here. Collections comes under Sally. Sally, you have heard the question posed?

Ms. Motta: Yes.

Committee Vice Chair Rapozo: Thank you. All questions will be followed-up up in writing.

Ms. Motta: Can I clarify with you what the questions are that we are going to be answering? How many Hawaiian Home Lands are paying minimum tax? Then I believe that Councilmember Yukimura also wanted us to give a breakdown of other groups, add it into that, the documentation that we provided to the Cost Control Committee that they used as their basis, and the fiscal



budget for 2014. I believe we answered that question, though, that you have up until the beginning of July to make any decision that would affect Fiscal Year 2014.

Mr. Furfaro: Let me clarify that. This Council cannot vote until July. I would like this body, as the Chairman, to make sure we address this, although we are deferring it. It needs to be addressed before March 15<sup>th</sup>. Would you agree from the Tax Office?

Mr. Hunt: I would agree because that is the budget submittal that is impacting the revenue.

Mr. Furfaro: Are you square on that Sally, the 15<sup>th</sup> of March?

Ms. Motta: So that has been answered, yes. Also, the fiscal impact it would have on the amount of the increase to \$150.00 as far as the 1842 people.

Ms. Yukimura: The fiscal impacts now presently under the situation with \$150.00 minimum proposal. That is the second one. Then I think Councilmember Kualii asked if there was in perpetuity, so zero tax on Hawaiian Homes, what the fiscal impacts would be there. Is that right?

Mr. Kualii: Yes.

Ms. Yukimura: So fiscal impacts in three (3) scenarios at least.

Ms. Motta: Also the change in structuring to have a different minimum tax for different classifications. Then the last one...

Mr. Furfaro: To be clear on that, Maui has that plan.

Ms. Motta: Correct.

Mr. Furfaro: That was Councilmember Nakamura's specific question, but I want to make sure that we do not leave out us having a look at how Maui addresses the minimum tax by category and by exemptions.

Ms. Motta: Then the last one that we just brought up, so far as a copy of the agreement with the Department of Hawaiian Home Lands, regarding the payment of property taxes if they are not paid by the owner of the property.

Committee Vice Chair Rapozo: The amounts. What are we owed, and how long. Thank you. Any more questions? Go ahead.

Mr. Furfaro: I am expecting from the Tax Office and if we have any County Attorneys in the audience here. If that is one of the questions going out about the delinquency notice and so forth, I want to make sure that we handle that document very cautiously. I do not want to be exposing names. I want to be looking at amounts. Whatever the conclusion from the Legal Department, that is between the Finance Department and Legal Department. Names do not need to be disclosed to the Council, but amounts do. I would advise that caution, Mr. Chair.

Committee Vice Chair Rapozo: This is going to be deferred, so there is no sense in spending a lot more time here when we are coming back.

Ms. Yukimura: When we send you the written questions, we may add more, but we would like to know how many taxpayers are paying under \$150.00?

Committee Vice Chair Rapozo: Thank you. Any more questions? If not, thank you very much. I know people have walked in after we started. I will allow any new testimony if anyone is interested.

Mr. Furfaro: On that same note, I want to make sure that we understand that the Water Department's consultants here have a 12:00 o'clock flight.

LIBERTA HUSSEY ALBAO: Good morning. My name is Liberta Hussey Albao. Thank you for giving me the opportunity to express my mana'o today. I am a beneficiary of Hawaiian Homes. I am currently on the waitlist, and we have over 2,000 people on Kaua'i on the waitlist. There were many e-mails that we exchanged with the communities in Waimea, Kekaha, Anahola. I think this letter needs to be addressed to a higher level of Jobie Masagatani, who is DHHL Chairman. It is a complicated issue, and I feel that they should be involved with the Council because there are many unanswered questions. I feel that coming from them, it is very important so that they can look at it on a legal stand. I just wanted to say thank you because it was referred to DHHL O'ahu because it affects every island. We are looking at what Maui has been doing, so you can have a comparison. Also, many people could not be here today because they are working. I just wanted to say thank you.

Committee Vice Chair Rapozo: Thank you. We did have phone calls and e-mails even from those that are working. Anyone else that has not testified? Okay. Mrs. Kaleiohi.

Ms. Kaleiohi: For the record my name is Amanda Kaleiohi. Sitting here and listening to the Tax Department, it is exactly some of the things that I brought up as far as they will have control to foreclose. That is the Department. We are under a Trust. Hawaiian Homes is a Trust, a Trust that was put up by Prince Kūhiʻō. I just found out like today, there are other classes of people that are paying \$25.00. So why are you picking on us? Years ago it was a privilege, not a privilege, but it was a birthright of every Hawaiian to be on Hawaiian Homes. That is their part of the ʻāina that they want to belong to. In spite of everything, this is the Hawaiian Islands. What do we do as Hawaiian people? I agree with Mr. Kualīʻi, it should be in perpetuity.

In 1994 I came here and I lobbied for it to the Council at that time. We put in a Bill for zero tax. I have to hurry up. Anyway, Mr. Asing tried to deal with us because he was saying, "if you sell your house, you do not get the same fee simple." No. Hawaiians believe that this is their land and it should be zero. What we settled on, \$25.00, so we could get the services like the Chairman was saying. Now, if you want us to have the service of garbage collection, we have to pay for that. The public use Hawaiian Homes as the dump center. A couple of years ago we hauled out over 800 tons of trash. While we were having a massive clean-up, people from the private sector were coming and dumping all their stuff there. So should we not charge them tax? These people are going to be in control of what is happening, and they should not be in control. The Department is under the Trust Act of 1920 that they control us. I mean, you can control the others, you know? But in perpetuity, yeah, it was zero. If you sign up, and you were lucky in the old days to get a Hawaiian Home, nothing. You did not pay anything, but costs have come up.

Committee Vice Chair Rapozo: That is your time. I am sorry.

Ms. Kaleiohi: So that is what my manaʻo is.

Committee Vice Chair Rapozo: Thank you very much.

Ms. Kaleiohi: I appreciate all your comments. The last comment is the next time this Bill comes up, please let me know because other people were supposed to be here that is on the Board are not here. I belong to the Association. I am the Vice President. The President is not here. The person that is supposed to be here is not here. In spite of that...

Committee Vice Chair Rapozo: If it gets deferred, which it sounds like it will, it will be here in two (2) weeks again. We can have staff get your information so they can contact you.

Ms. Kaleiohi: Very good. I appreciate that.

There being no objections, the meeting was called back to order, and proceeded as follows:

Committee Vice Chair Rapozo: Before the motion to defer is taken, I just have one (1) slide because I think what we heard today is the Administration does not have a position on the Bill. There are a lot of questions, a lot of questions that the Councilmembers have and I think that the public has. I think Mrs. Kaleiohi brings up some very important points, as did Ms. Albao, that we need to address.

This Bill, as you know, came from the Cost Control Commission. I am not, obviously, going to object if the Committee feels that we need a deferral. I am going to support a deferral, but I will not be supporting the Bill because the Cost Control Commission is tasked with one thing: it is to reduce the cost of the community government while maintaining a reasonable level of services. That Committee is not equipped to ask the questions that were asked today about the fiscal impact, about the analyses of all this. This is a comprehensive, complex issue. This is a Finance Department issue and a County Council issue. For the Administration to say we take no position, then my position is toss it out. It is the Administration that runs the County, not the Cost Control Commission. The Cost Control Commission, when they were here last, said, "Well, you know, it just has not been raised in a long time." There was no analysis done. How much does it cost? Average \$72.00. Well, let us pump it up a little to \$150.00 to get that covered, but there was no analysis. I think the questions by all the Councilmembers today were fabulous questions. We could not get answers.

If you look at the goal this Commission is tasked, and we talk about the express authorities under the Charter, it is to reduce cost of the County Government. What I want to see from the Cost Control Commission is rather than how to generate \$230,000.00 of more revenue, no, come to us with a Bill that is going to show us how this County can save \$230,000.00 in expenses. That is what the Charter says. This is how: "We shall review the personnel cost, real property taxes, travel budgets, contract procedures. Review with an aim of eliminating programs and services available or more efficiently supplied by other governments or organizations. Eliminate or consolidate overlapping or duplicate services and scrutinize for reduction any County operation." That is the function of the Cost Control Commission, not to go out and find ways to generate more money. Completely off base with what the Charter says. For that reason alone, I will not be supporting the Bill, because this type of action should be coming out of the Administration's Finance Department with the Mayor's position, coming to the Council Finance Committee to have these discussions and take the appropriate action. The Cost Control Commission, again, is not equipped to deal with all of the consequences that an action like this will have.

I just wanted the public to understand the Cost Control Commission...again, it is just one more way to generate revenue for the County. I think Mrs. Kaleiohi talked about the trash fees, and fasten your seatbelts because that is going to go up too. We have got the presentation here, and it is going to go up. We have to stop that. If the Administration feels that we need to increase the costs of the minimum tax, then it should come from them, not a Commission that is tasked with cutting spending, cutting the budget. That is what this Commission is tasked to do, and they are doing the opposite. They are trying to find more money. So I just wanted to make that clear.

If guys want a deferral, go ahead. I will support the deferral if you guys want the time. I think that the Administration is not ready. They are not ready. There are a ton of questions. My suggestion is that we receive this Bill, send it back with your questions and have the Administration come to us with the Bill. Have the Finance Department, have the Mayor come to us with a tax Bill if he wants to increase taxes on the elderly, on the poor, on the Native Hawaiians, and these other. So I agree. I think we need to relook at the minimum tax bill, but it is not going to happen in two (2) Committee Meetings and a Council Meeting. I think this needs to be thoroughly looked at by the Administration, and they should be submitting the Bill because it is a revenue-generating Bill. With that, anyone else before we take the motion to defer?

Ms. Yukimura: Yes, I think you make in some good points, and I was shocked that the Administration does not have a position on this Bill. I want to also share, because I spoke with Councilmember Bynum this morning and I believe he had a doctor's appointment he could not miss, but his point was in some ways similar. He is saying that it should be part of an overall real property tax bill that is based on accurate data. What has come to fore recently is that we do not have this accurate data. His desire was for a long-term deferral until we got that kind of data and would be able to look at the real property tax minimum issue in relationship to all the other parts of the property tax system. I just wanted to share that on the floor at this time because Councilmember Bynum is not here. I think a deferral is worthwhile just to allow us to get to know the issue better and get some data and information. It may be that we choose to receive the Bill after we have done all of that or propose a more comprehensive approach. I think your points are well-taken, Vice Chair. Thank you very much.

Committee Vice Chair Rapozo: Again, I will respect whatever the Committee wants to do, but if you look in your binder that you have, and you look at all our Committees, in the "pending" tab, you see all of the issues that were deferred long-term and never revisited. I think we need to send a message back across that if you guys want to do this, send it back. Do your homework and then come with a plan. I agree with Mr. Bynum. It needs to be comprehensive review because that is what we do, little things here and here and here. We need to have a comprehensive

review, including a reassessment of the real property tax minimum tax rate. To spend all of the time on the back and forth with the Administration, and they do not even have a position on it. Why would we even waste the public's time and continue the dialogue if the Mayor is not going to support it? I think it is important. If you look at Charter when comes to the Cost Control Commission, it says "the Commission shall prepare and advertize a written annual report summarizing its recommendations prior to the end of each calendar year. Thereafter, the Commission may request that any of its recommendations be drafted in ordinance form for its introduction through the Mayor," which is what occurred. "The Mayor shall, with Mayor's comments thereon and within thirty (30) days of its receipt, submit to the Council for its consideration." The Charter says that the Mayor shall put his recommendations, "yes, no," or "no position." We did not get that. So, again, let us honor the system that is in front of us. If it is not complied with, kill it, send it back and say, "Mayor, if you want it, and you guys want to go out and look for revenue-generation opportunities, but you do not want it to come from the political side, the Mayor's Office, so we use the Commission so they can take the flack." That is not going to fly with me. If you want to raise revenue, put it out there. Mayor, sign your name to it, get it in front of the Council, and we can have a dialogue. I am not in support of any more tax increases, and I would assume many people are fed up with it. Have it come from the Administration if it is a revenue-generating opportunity, and I think that is what it is. Councilmember Yukimura.

Ms. Yukimura: I do not think we will be wasting our time because it is our responsibility as a Council to address problems in the Real Property Tax Code, and it is an issue that has to be addressed, because this is not about just raising it for people who cannot pay. There are people who can pay. I mean, there are other entities that can pay. So we want to do a fair and equitable process. If we are losing money with the minimum tax, it actually makes sense to just do away with the minimum tax. Then we will not lose money. That is actually some cost control in there. I think the more we learn about this issue will be good preparation for what our responsibility is in the long run. It is very hard for us to work on this without the Administration also working on this, so it may come to that, where we receive it and throw it back into the Administration's arms, but I think at this time we should take the opportunity to do some homework.

Committee Vice Chair Rapozo: Mr. Kualii

Mr. Kualii: I do want to express that I would be more supportive of a received at this time instead of a deferral and would not be supportive of a long-term deferral because that does not make sense. We would just be pushing it onto the next Council, which will be different. It makes more sense if the new Council wants to deal with it prior to the next budget, which, again, it is appropriate to be part of the budget process because that is where the last real property tax changes came as a part of the last budget process when rates were

increased and decreased, different classifications. It was a part of the last budget process. Clearly it has to be done before March 15<sup>th</sup>, but there is plenty of time for the research and for the Administration to come forward with a position. It makes more sense to me at this time to just receive it, so that is the motion I would make.

Committee Vice Chair Rapozo: Any more discussion before we entertain a motion? Councilmember Nakamura.

Ms. Nakamura: I think Vice Chair Rapozo makes a lot of good points about the Charter responsibilities for the Cost Control Commission. I think that needs to really be looked at. I do not know if, in the future, issues like this should progress this far without looking at that core responsibility. If we feel that it is too limiting just to look at the costs, the Commission should look at revenues. I think we should also have that conversation. I know that efforts have been made in past to do that. Having served on the Cost Control Commission, I think that there have been some worthy proposals that have come up relating to revenues. I also agree that we need to have the Administration weigh in on this and to really have a full discussion. I would like to get the answers to the questions raised today, because, as you said, they were very good questions. So I would like to pursue the discussion and not cut it short at this point. I may end up with receiving it after the next meeting.

Committee Vice Chair Rapozo: Any other discussion? Councilmember Yukimura.

Ms. Yukimura: No, I am ready to make the motion to defer.

Committee Vice Chair Rapozo: I think the Chair had...

Mr. Furfaro: I will wait. I have no priority in your Committee because I am not a Committee member. So I will wait.

Ms. Yukimura: Yes, the time is going for the Water Department.

Committee Vice Chair Rapozo: I understand. I want to make sure...

Ms. Yukimura: Move to defer.

Committee Vice Chair Rapozo: Wait, hang on. No other discussion? Okay.

Mr. Furfaro: So may I say something? That was my motion, but you are not going to let me speak. I was patiently waiting for my time.

Committee Vice Chair Rapozo: I just offered you the floor. You said you did not want to speak.

Mr. Furfaro: No, I did not say that. I said I have been honoring the fact I am not a member of your Committee, so I will wait until I am last.

Committee Vice Chair Rapozo: JoAnn attempted to make a motion. I said, "Hang on because the Chair wanted to make a statement." You said, "No, I will wait." Okay. But if you want to speak, please go ahead.

Mr. Furfaro: I appreciate that. I am not to prolong this. I thought she was going to talk again, not make a motion.

First of all, I want to say I would like to see things that come over from the Cost Commission with commentary from the Administration. It is their Commission in that sense. I also want to tell us to be very careful. I want the Legal Department to get a heads-up on this, because I am going to send over a communication because I think we need an interpretation of the Cost Control Commission's role. When we are talking, in particular about cost, one of the first items on there is about personnel cost. If you add people, you are adding payroll. Well, we are going through that with the new HR Committee. I want to get some real defined interpretation of that role.

Secondly, I want to let you know, JoAnn and Tim, I do not agree that all of this should be thrown into one pot on the bill. I do not. The Hawaiian Community has a special status in this community. They are the host culture, no different than what is happening on the Continental U.S. With Native-Americans, the ili'āini from Illinois and so forth. They have special status. What we have to do is we have to have a strategic plan that talks about the host culture and those lots, not to throw it in as one total tax discussion. I do not agree with that. There are other people in our community who are not part of the host community that, in fact, have reasons to have tax breaks and so forth: age, pensions, disabilities, and so forth.

The Hawaiian Community deserves a healthy discussion about their tax status. I think it needs to be separate. That is my two points. I would like to see commentary from the Administration whether they have taken a position with the Cost Control Commission or any comments that they have about what kind of status for revenue purposes and what benefits we can give to Kuleana Property, Hawaiian Homes Property, and DHHL's role as the overseer. That has to be a separate discussion, in my opinion.



Thank you for letting me speak last. I am sorry, JoAnn. I thought you were going to continue the conversation and not make the motion. Thank you, Mr. Committee Chair.

Upon a motion duly made by Ms. Nakamura, seconded by Ms. Yukimura, and unanimously carried, Bill No. 2444 was deferred.

There being no further business, the meeting was adjourned at 10:52 a.m.

Respectfully submitted,



Elizabeth Brummett  
Council Services Assistant I

APPROVED at the Committee Meeting held on December 12, 2012:



MEL RAPOZO  
VICE CHAIR, FPP COMMITTEE

